ORGANIZATIONAL LEARNING AND PERFORMANCE OF SELECTED
SMALL AND MEDIUM ENTERPRISES IN INFORMATION
TECHNOLOGY INDUSTRY IN NAIROBI, KENYA

PATRICK MAKANA MBAKAYA
D53/OL/CTY/ 26629/2015

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILLMENT FOR THE AWARD OF DEGREE IN MASTER OF
BUSINESS ADMINISTRATION (HUMAN RESOURCE MANAGEMENT) OF
KENYATTA UNIVERSITY

SEPTEMBER, 2018
DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university.

Signature  ___________________________    Date  ___________________________

Patrick Makana Mbakaya
Reg No:  D53/OL/CTY/26629/2015
Department of Human Resource Management

I confirm that the work reported in this project was carried out by the candidate under my supervision.

Signature  ___________________________    Date  ___________________________

Dr. Jedidah Muli
Department of Human Resource Management
School of Business
Kenyatta University.
DEDICATION

This research project is dedicated with love to my wife Diana and my children Rio and Rey.
ACKNOWLEDGEMENTS

I would like to appreciate all those who made this research project a success. God bless you all. I am indebted to my supervisor, for the professional guidance, cooperation, unlimited support, commitment and understanding throughout the period.

My heartfelt appreciation to Dr. Jedidah Muli for her unlimited support throughout the entire period of carrying out this study. A lot of gratitude to my friends for their support and guidance that has led to the completion of this research proposal. To my colleagues, the Master’s Degree in Business Administration class 2017 for their ideas, constructive criticism, contributions and experiences to this project. I acknowledge my family.

My family for their financial, moral and spiritual support.

Thank you all.
# TABLE OF CONTENTS

DECLARATION .............................................................................................................. ii  
DEDICATION ............................................................................................................... iii  
ACKNOWLEDGEMENTS ............................................................................................... iv  
LIST OF TABLES ......................................................................................................... vii  
LIST OF FIGURES ....................................................................................................... viii  
ABBREVIATIONS AND ACRONYMS ....................................................................... ix  
OPERATIONAL DEFINITION OF TERMS .................................................................. x  
ABSTRACT .................................................................................................................. xi  
CHAPTER ONE: INTRODUCTION .............................................................................. 12  
  1.1 Background of the study .................................................................................... 12  
    1.1.1 Organizational learning ................................................................................ 16  
    1.1.2 Organizational Performance ........................................................................ 18  
    1.1.3 Small and medium sized enterprises in Kenya .............................................. 20  
  1.2 Statement of the problem .................................................................................... 21  
  1.3 Objectives of the study ....................................................................................... 22  
    1.3.1 The general objective ................................................................................... 22  
    1.3.2 Specific Objectives ....................................................................................... 22  
  1.4 Research Questions ........................................................................................... 22  
  1.5 Significance of the study .................................................................................... 23  
  1.6 Scope of the study .............................................................................................. 23  
  1.7 Limitations of the study ..................................................................................... 24  
  1.8 Organization of the study .................................................................................. 25  
CHAPTER TWO: LITERATURE REVIEW .................................................................. 26  
  2.1 Introduction ........................................................................................................ 26  
  2.2 Theoretical review ............................................................................................. 26  
    2.2.1 Behavioral theory ......................................................................................... 26  
    2.2.2 Experiential learning theory ......................................................................... 28  
    2.2.3 Assimilation theory ...................................................................................... 31  
  2.3 Empirical review ................................................................................................ 32  
    2.3.1 Learning culture and organizational performance ...................................... 32  
    2.3.2 Training activities and organizational performance ................................... 36  
    2.3.3 Innovation and organizational performance .............................................. 39  
    2.3.4 Knowledge management (KM) and organizational performance ............. 40  
  2.4 Summary of literature and research gaps ......................................................... 41  
  2.5 Conceptual Framework ...................................................................................... 43  
CHAPTER THREE: RESEARCH METHODOLOGY .................................................. 45  
  3.1 Introduction ........................................................................................................ 45  
  3.2 Research design ................................................................................................ 45
3.3 Study population ................................................................. 46
3.4 Target Population ................................................................. 47
3.5 Sample size and technique .................................................... 47
3.6 Data collection instruments .................................................. 48
3.7 Pretesting .............................................................................. 49
3.8 Validity and reliability of the instruments ................................. 49
  3.8.1 Validity of the instruments .................................................. 49
       3.8.2 Reliability of the instruments ........................................... 49
3.9 Data collection procedure ..................................................... 50
3.10 Data analysis and presentation .............................................. 51
3.11 Ethical Considerations .......................................................... 52
CHAPTER FOUR: RESEARCH FINDINGS ND DISCUSSIONS ............... 54
  4.1 Introduction ......................................................................... 54
  4.2 Reliability Results ............................................................... 54
       4.3.0 Demographics of the respondents ...................................... 55
       4.4 Descriptive findings .......................................................... 58
         4.4.1 Learning culture and performance of SMEs in IT Industry in Kenya ...................................................... 58
         4.4.2 Training activities and performance of SMES in IT Industry in Kenya .................................................. 66
         4.4.3 Innovation and performance of SMEs in IT industry in Kenya ............................................................... 68
         4.4.4 Knowledge management and performance of SMEs in IT industry in Kenya .......................................... 71
       4.5.0 Inferential Statistics Analysis ........................................... 73
         4.5.1 Regression analysis ....................................................... 73
         4.6 ANOVA results ................................................................. 74
       4.7 Regression of Coefficients .................................................. 75
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS ..... 80
  5.1 Introduction ......................................................................... 80
  5.2 Summary of key findings ...................................................... 80
       5.2.1 Effect of learning culture on performance of SMEs in IT Industry in Nairobi .............................................. 80
       5.2.2 Effect of training activities on performance of SMES in IT Industry in Nairobi ........................................... 81
       5.2.3 Effect of innovation on performance of SMEs in IT industry in Nairobi ...................................................... 81
       5.2.4 Effect of knowledge management on performance of SMEs in IT industry in Nairobi 82
  5.3 Conclusions ........................................................................... 82
  5.4 Recommendations of the Study ............................................. 84
  5.5 Areas for further research .................................................... 84
REFERENCES ............................................................................. 85
APPENDICES ............................................................................. 93
Appendix I: Research Questionnaire ................................................... 93
**LIST OF TABLES**

Table 1.1: Micro, Small and Medium enterprises in Kenya .............................................. 20
Table 3.1: Target population of the study ................................................................. 47
Table 3.2: Sampling and sample size of the study .................................................... 48
Table 3.3: Cronbach’s alpha coefficients for multiple likert scale items .................... 50
Table 4.1: Response rate ......................................................................................... 55
Table 4.2: Department respondents work for ............................................................ 57
Table 4.3: Effect of learning culture on performance of SMEs in IT .......................... 58
Table 4.4: Effect of training activities on performance of SMEs in IT industry .......... 66
Table 4.5: Effect of quartile compensation strategies ............................................... 69
Table 4.6: Effect of knowledge management on performance of SMEs in IT industry .. 71
Table 4.7: Effect of organizational learning on general performance of SMEs in the IT .......................................................... **Error! Bookmark not defined.**
Table 4.8: Model Summary of the regression analysis .............................................. 74
Table 4.9: ANOVA of the Regression ......................................................................... 75
Table 4.10: Regression coefficients of organizational learning and performance of SMEs in the IT industry .......................................................................................................................... 76
LIST OF FIGURES

Figure 1.1: SMEs per 1000 people in developed countries and in developing countries 14
Figure 2.1 Conceptual framework ................................................................. 44
Figure 4.1: Gender of the respondents ............................................................ 55
Figure 4.2: Age bracket of the respondents ....................................................... 56
Figure 4.3: Whether learning is part of the conversation during employment ........ 60
Figure 4.4: Whether the firm conveys learning as a value of the organization ....... 61
Figure 4.5: Whether learning is aligned with the strategic goals of the firm .......... 62
Figure 4.6: Whether the link between learning and the performance of the firm are made clear to the employees ................................................................. 63
Figure 4.7: Whether learning is applied throughout the organization to continuously improve performance and achieve strategic goals ......................... 64
Figure 4.8: Managerial innovations the firm emphasize through organizational learning ................................................................. 70
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETP</td>
<td>Experiential learning theory</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>LO</td>
<td>Learning organization</td>
</tr>
<tr>
<td>KM</td>
<td>Knowledge Management</td>
</tr>
<tr>
<td>MSEs</td>
<td>Medium and Small Sized Enterprises</td>
</tr>
<tr>
<td>OL</td>
<td>Organizational learning</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and medium enterprises</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>HP</td>
<td>Hewlett and Placard</td>
</tr>
</tbody>
</table>
OPERATIONAL DEFINITION OF TERMS

**Learning organization** - Learning organization is one that has capabilities to transform itself. It is able to be creative, innovative and adaptive. In a learning organization, learning is a continuous process as opposed to a single event process aimed at solving an extant problem.

**Small and Medium Sized Enterprises** - These are businesses whose personnel numbers fall below certain limits. They are non-subsidiary, independent firms which employ fewer than a given number of employees.

**Information Technology (IT) Enterprises** - Information technology (IT) is the application of computers to store, retrieve, transmit and manipulate data, or information, often in the context of a business or other enterprise.

**Learning Culture** - It is a collection of organizational conventions, values, practices and processes. These conventions encourage employees and organizations develop knowledge and competence.

**Knowledge management** - It refers to the process of creating, sharing, using and managing the knowledge and information of an organization. It refers to a multidisciplinary approach to achieving organizational objectives by making the best use of knowledge.

**Performance** - It refers to how well an organization is doing to reach its vision, mission, and goals. Assessing organizational performance is a vital aspect of strategic management. Executives must know how well their organizations are performing to figure out what strategic changes, if any, to make.
ABSTRACT

In a globalized world, organizations today operate in complicated environments and under increasing competition. In order to respond to needs of the changing environments, organizational learning has been postulated as an anchor to increased organizational performance and competitive edge. Effective learning has to be integrated within the organization. This study investigated the effect of organizational learning on performance of small and medium technology enterprise in Nairobi, Kenya. The study’s specific objectives were to; determine the effect of learning culture on performance of small and medium enterprises (SMEs), to assess the effect of training activities on performance of SMES, determine the effects of innovation on performance of SMEs, and to establish the effects of knowledge management on performance of SMES in Nairobi, Kenya.

The study utilized a descriptive research design with the target population being technical and permanent employees of HP Enterprises Ltd and Infotech Africa Ltd in Nairobi. Both quantitative and qualitative primary data was collected using a questionnaire, and analyzed using the computer package for social sciences (SPSS) version 23.0. Both descriptive and inferential analysis was conducted and findings were presented in form of distribution tables, graphs and pie charts. From the study’s findings, the employees strongly agreed that: managers in the organizations are held accountable for learning as well as its implementation to improve performance of firms; managers monitor the learning process and its implementation; firms organize internal training of their employees and that their firms appreciated formal, informal, on-job and off-job training programs; continuous learning enabled firms to introduce new products and services into the market ahead of competition. The study concluded that organizational learning greatly influence performance of firms in the IT industry in Kenya hence should embraced by all firms for better performance. The study recommended that the government in collaboration with other authorities should adequately support SMEs in the IT industry by prioritizing activities and formulation of effective policies and programs that embrace organizational learning in small and medium enterprises.
CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Organizations today operate in complicated environments and under increasing competition (Metin, Adem, Mehme & Ash, 2014). Globalization effects, advances in technology and improved modern science have brought rapid changes opening up varying expectations regarding economic operators in a firm (Chiva, Pervez & Joaquín, 2014). Firms are producing new approaches in order to sustain their own existence and enhance performance in such a dynamically changing and turbulent environment (Makkonen, Mikko, Rami, & Aki, 2014). Organizational learning is therefore considered a significant component in firm's adaptation towards higher performance. As such firms are geared towards enabling learning and creation of learning organizations (Hernaus, Skerlavaj & Dimovski, 2008).

According to Hernaus et al. (2008), an organization that is able to deal with changing environment, not only processes information efficiently, it also creates information and knowledge. This shows that organizational learning is a promising concept in management of firms. In fact, as per the dynamics capabilities theory, enhancing organizational skills is the main source of competitive advantage. The dynamic capabilities lead the firm to innovate new products, services and processes which enhance performance of the firm. Furthermore, the source of dynamic capabilities is learning (Makkonen et al., 2014). It is the engine that drives organizational capabilities to guide its operational capabilities leading to increased competitive advantage and higher performances (Bustinza, Molina & Arias-Aranda, 2010).
According to Tseng (2010), prerequisites for most of the firms that are successful is learning and implementing learnt lessons. In order for the learning and implementation to be effective, it must be integrated within the businesses. Such organization which are able to integrate learning within their operations are called learning organisation (Bhatnagar, 2007). They are able to add new knowledge, insights and commitments towards their overall performance. Additionally, employees of these companies are inducted and involved into learning commitments (Woodall, 2005).

Garvin, Edmondson and Gino (2008) asserted that a firm's absorptive capacity determines the success of learning in an organization. The absorptive capacity of an organisation in return is determined by the prior knowledge the enterprise has. What organizations have in mind therefore is that, learning and creation of knowledge will be a continuous activity for employees and also shared to other groups proliferating learning organization wide (Marsick & Watkins, 2003).

According to Chiva et al. (2014), in today's globalized world, learning is very significant in organizations. Employees change jobs at a higher rate than before. They also hoard their knowledge with the thinking that sharing it is detrimental to their individual success. This makes learning within the organisation increasingly important action.

Small and medium-sized enterprises (SMEs) in Africa dominate economies in terms of job offering and they are also a big number of companies. 99% of the firms in Africa are SMEs. However, there is very limited literature on their contribution to the economies. African SMEs cover diverse spheres of the economy, from technology, agriculture to service industries. According to World Bank the number of SMEs per 1000 people in
Africa is high than in developed countries. The figure below illustrates. This pattern of SMEs in Africa is exemplified by presence of smaller economies and also smaller markets (Sveinung, Leo& Chris, 2010). It is also concluded that SMEs in African countries contribute less than 20% to the GDP.

In developed countries the figure is likely to reach about 60%. Evidencing this assertion, SMEs share of employment in African countries barely reaches 40% (Sveinung, Leo& Chris, 2010).

SMEs in Africa, therefore, remain in underdeveloped stage for a long time. Their full potential is highly untapped. They also face a lot of challenges and they don’t have resources dedicated to solve the challenges. Kenya leads East African countries in SME development (Julia & Marnix, 2015). SMEs sector in Kenya comprises of about 75% of all businesses contributing about 8.07 Billion dollars to the GDP which is approximately
18% of the total Kenyan GDP. They cover economic sectors of Agriculture, Manufacturing, Building and construction, Mining, Energy, Water, Trade, Hospitality, Transport, Real estate, Education, Health and professional services. Additionally, they employ 7.5 million people accounting for about 80% of employment with 92% of new jobs created annually (Digital4Africa, 2015).

Despite Kenyan SMES having a lot of potential, they have been exposed to a lot of challenges. Seventy percent 70% of Kenyan SMEs face financial challenges and are unable to access cash as well as expert human resource (Julia & Marnix, 2015). Therefore, many organizations such as World Bank, KuzaBiashara, Open World, SME expo, Vendor, Digital4Africa and Nest Nairobi have all come together to offer lessons to Kenyan SMEs from advisory, technical assistance, new markets to establishing business environment that is enhancing (Digital4Africa, 2015). It is with this regard that learning organization practices are of a big help to SMEs. This will increasingly enable them to understand organizational commitment and also lead to SMEs effectiveness and improved performance (Marsick & Watkins, 2003).

According to Julia and Marnix (2015), many of SMEs are cognizant of the fact that learning organization is significant. Additionally, learning organization leads to changing organizational values positively which is a recipe for organization fundamental transformation leading to increased success. Therefore, Wolff and Pett (2010) emphasized that knowledge of learning organization practices to SMEs, their employees and also firm’s effectiveness has a positive implication to performance of the firm and the satisfaction of stakeholders.
1.1.1 Organizational learning

Organizational learning has attracted a lot of focus since 1970s. Argyris and Schon (1974) had innovative thinking with notions such as learning society, double-loop learning, and reflection-in-action. Argyris (1999) concluded that there two conditions in an organisation which stem out learning. These are; learning occurs when a particular action has been accomplished and secondly when the action has not been accomplished. Over the years, a couple of researchers have studied the concept of learning in organizations.

Many researchers have defined the concept of learning. Dermol and Tomaž (2013), referred to learning as a process that tests experience and transforms it into knowledge that is relevant to the mission of the organisation. According to Jiménez-Jiménez and Sanz-Valle (2011), organisation learning is a process composed of four processes: information acquisition, information distribution, information interpretation and organizational memory. Hernaus et al. (2008) postulated that learning in organizations occurs when they acquire information of any kind through any means.

From different definitions, organisation learning has borrowed much from processing information and producing knowledge. Škerlavaj, Štemberger and Dimovski (2007) had provided four perspectives on organizational learning in model that combines informational, interpretational, strategic and behavioral approach. According to him, organisation learning is therefore a process whereby information is acquired, interpreted and results into behavioral and cognitive changes. These changes have an impact of enhancing organizational performance.
Bustinza et al. (2010) emphasized that organizational learning is not the same as a learning organisation. The difference is that organizational learning is the process of learning of or within an organisation. On the other hand, a learning organisation is an entity with abilities to learn effectively and boost its performance. Organizations that have achieved high levels of learning have employees who are very competent. They therefore give favorable outcomes. On the other hand, learning organizations are resilient, bold, and competent and have increased performances (Naser & Zynal Abedin, 2012).

In a learning organisation employees are successful not only in creating and acquiring new knowledge but also in transferring it (Garvin, Edmondson & Gino, 2008). Learning organizations have the capability of being cognitive entities. As such they develop capabilities to discover new action effects, able to modify their actions and therefore fulfill organizational objectives leading to increased performance (Prieto & Revilla, 2006).

According to Swart and Kinnie (2010), a learning organization develops the skills of its employees through training activities, enhancing the learning culture, performance experiences and transformative leadership. These qualities embed a learning organization. Learning starts from individuals, teams, organisation to inter-organisation learning. Learning as an individual embodies developing capabilities to detect data from the environment, interpret it and be able to share it with others. In a group, employees learn effective communication of the knowledge gathered. At an organisation levels, management and employees with the new knowledge gathered are able to inform firm's
policies and, goals and strategies and transfer the new knowledge organisation wide for improved performances (Anna & Kjell, 2003).

1.1.2 Organizational Performance

According to Abu-Jarad, Yusof and Nikbin (2010), an activities' performance has been defined to contain 3Es which are economy, efficiency and effectiveness. Hernaus et al. (2008) defined organizational performance as its ability to achieve the set goal through utilization of the available resources. This definition is supported by Škerlavaj et al. (2007), who asserted that organizational performance is abilities of a firm to achieve its goals and objectives.

According to Dermol and Tomaž (2013), performance of the organisation is affected by organizational learning. Through learning, employees’ skills are improved. They are able to be highly innovative and improve services, products as well as processes of an organisation. Learning also equips the company with advances in information technology and aligns its procedures (Hernaus et al., 2008). Therefore, organizational performance is a long-term concept which cannot be measured effectively by use of only financial indicators. Rather, organizational performance is best measured by factoring in goals of the firm.

By use of primary and secondary information, financial and non-financial performance of the firm can be measured (Bustinza et al., 2010). The information gathered to measure performance reflects the perspective of financial, employee’s view, internal business perspective and customer’s view. A balanced scorecard as emphasized by Coe and Letza (2014) provided a good measure of performance. Balanced scored presents a
holistic innovative approach to outcomes of an organizational management (Andreadis, 2009).

Measurement of performance is an integral part of the organization. Performance measurement enables levels of employee performance and whether they have met the expectations of the firm (Saunders & Cornett, 2014). Additionally, other stakeholders of the firm such as shareholders are able to know if the company is meeting their expectations. According to Delen, Kuzey and Uyar (2013), investors have used return on equity as the best measure of performance because it focuses much on the returns shareholders are getting from the company. Return on equity is not a good measure for small companies as it is not objective. Most of SMEs are individually owned. Other measures of firm's performance are revenue growth, profitability growth (Amit & Villalonga, 2014). Financial measures of performance remain valid to measure performance of the firm (Richard, Devinney, Yip & Johnson, 2009). Indicators that highlight future performance of the firm include delivery performance, lead times, flexibility and quality performance ((Digalwar & Sangwan, 2007).

In the context of SMEs, the performance measurement literature highlights the characteristics of SMEs that differentiates them from larger organizations. These characteristics include, lack of formalized strategy, operational focus, limited managerial and capital resources, and misconception of performance measurement (Fuller & Love, 2006). This literature also suggests that SMEs require simple measures that provide focused, clear and useful information (Hussein et al. 1998; Garengo, Biazzo, & Bititci, 2005). As SMEs lack the resources needed to implement complex measurement systems
a key requirement is that the number of measures used should be limited (Fuller & Love, 2006)

1.1.3 Small and medium sized enterprises in Kenya

SMEs in Kenya employ over 80% of Kenyans and therefore, get a lot of attention from the government. About 98% of all businesses in Kenya are under SMEs contributing about 13.8% of the nation's GDP in 1993 which has risen to 40% by 2008. As of 1999, SMEs in Kenya employed about 2.4 million people. The number had risen to 5.1 million in 2002 and about 7.5 million people in 2008 (Onyancha, 2013).

By 1999 there were about 1.3 million micro, small and medium enterprises in Kenya as illustrated in the figure below. Most of them are located in rural areas. It is also estimated that most of SMEs operate as informal businesses and only about 30000 of them are formal (Waweru, 2007).

Table 1.1 below shows the distribution of SMEs in Kenya. According to Table 1.1, majority of the SMEs are in rural areas where there is a large population of people. This is followed by Nairobi and Mombasa, which are the main capital cities of Kenya. Rural towns have the least number of SMEs.

<table>
<thead>
<tr>
<th>Stratum</th>
<th>% of national population</th>
<th>MSEs Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi and Mombasa</td>
<td>9.7</td>
<td>204280</td>
<td>15.8</td>
</tr>
<tr>
<td>Other major towns</td>
<td>6.2</td>
<td>157533</td>
<td>12.2</td>
</tr>
<tr>
<td>Rural towns</td>
<td>2.1</td>
<td>81320</td>
<td>6.3</td>
</tr>
<tr>
<td>Rural areas</td>
<td>82.0</td>
<td>845879</td>
<td>65.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>1289012</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Table 1.1: Micro, Small and Medium enterprises in Kenya*
Due to their inherent characteristics, SMEs in Kenya are faced with risks such as low resilience levels. This makes them unable to grow and survive. They are also challenged by access to capital and financing their investments. Due to competition offered by globalized firms, SMEs also lack capabilities to access market as well as modern technology (Oseh, 2013). Due to these challenges, SMEs are constantly enhancing their survival and performance through learning, trainings and development.

1.2 Statement of the problem

SMEs are confronted by many challenges and their survival depends on how they accept changes, improve practices and competitiveness. Defined as an organization that facilitates learning of all its members, learning organization possesses certain characteristics to meet the ever-changing needs of the environment. Some of these challenges include lack of necessary skills, reduced retention; poor sales; operational inefficiency; reduced return on investment; end user dissatisfaction and customer complaints; increased costs among others (Julia & Marnix, 2015).

Despite the increasing need on learning of employees by organizations, there is still limited literature on organizational learning issues in developing countries (Debrah & Ofori, 2006) and increasing concerns from organizational customers towards low quality services in the IT sector. It is further worth noting that while much is known about the economics of organizational learning in the developed world, studies of issues associated with organizational learning in less-developed countries are rarely found. The existing studies in this relation (Harvey 2002; Harvey, Matt & Milord 2002; Jackson 2002; Kamoche 2002; Kamoche, Debrah, Hortwiz & Muuka 2004; Kraak 2005) have taken a general human resource management (HRM) focus creating a gap on issues such
as the effect of learning on employee performance. This study contributed in minimizing this gap in the literature and thereby established the basis to understanding of some aspects of human resource management in general and learning in particular in SMEs in the IT sector in Nairobi Kenya.

1.3 Objectives of the study

1.3.1 The general objective

The general objective of this study was to investigate the effects of organizational learning on performance of SMES in IT Industry in Kenya.

1.3.2 Specific Objectives

The specific objectives of the study were;

i. To determine the effect of learning culture on performance of SMEs in IT industry in Kenya.

ii. To assess the effect of training activities on performance of SMEs in IT industry in Kenya.

iii. To determine the effects of innovation on performance of SMEs in IT industry in Kenya.

iv. To establish the effects of knowledge management on performance of SMEs in IT industry in Kenya.

1.4 Research Questions

The research questions of the study were as follows;

i. How did learning culture affect performance of SMEs in IT industry in Kenya?

ii. What was the impact of employee training on performance of the SMEs in IT
1.5 Significance of the study

By conducting this study, a lot of knowledge is gathered on organizational learning in SMEs. This knowledge will help management of SMEs to understand the best skills, training programs and development agenda to enhance creation of a learning organisation. The study also helps SMEs management both in County Governments and National Government to understand challenges they anticipate when developing learning organizations and suggests recommendations to solve them.

These study findings will also be useful to academia and researchers. The field of organizational learning and performance of businesses will be adequately covered in a way that current and future research opportunities are well informed. Academics can have a reference point as they dig deeper and be more specific in the context of organization learning and influences on performances of the firm.

1.6 Scope of the study

This study focused on organizational learning and how it affects performance of the SMEs in IT industry in Nairobi, Kenya. The performance measures that were used were profitability and operational efficiency. The study targeted small and medium technology enterprises which are ranked in the 2016 list of top 100 small and medium enterprises in Kenya.
Therefore, for this study, the independent variables, focused on the aspect of organizational learning and included; learning culture, training and innovation. Dependent variable was the performance (profitability and operational efficiency) of the technology small and medium enterprises.

1.7 Limitations of the study

During the research study plans, certain limitations had been considered. The main limitation of this study was difficulties anticipated during the process of obtaining primary data. To curb this, responses to questionnaires were collected from the SMEs in the IT industry in Nairobi. This was a challenge in that the people surveyed were unwilling to give up their personal time to fill out a questionnaire. The risk of this could be mitigated by ensuring that the questionnaires are not excessively time consuming, informing the target audience of the importance of their input to the research being done, and the positive impact their contribution will have. An option was included to receive a completed copy of the dissertation, meaning the participants were able to see that their time had gone to good use.

There was also bound to be low response rate than expected, a follow up questionnaire was sent out using a different means. For example, the first questionnaire is sent out by email and the follow up was hand delivered to necessitate an interview with the respondent. This recognised that some individuals could had a personal preference, and be more likely to respond to one medium than another.

Another potential limitation was in finding management and employees willing to give up their time for an interview, for the reasons aforementioned. In order to ensure that
participants were not inconvenienced, several alternatives were offered. These included; face-to-face interviews, interviews by telephone, interviews by Skype and email interviews. This means the participant chose the medium most appropriate for their own individual lifestyle and schedule.

Lack of understanding of the questionnaire was another anticipated problem. Here the researcher used research assistants to help in defining where there was need. They could make physical visits or respond on phone.

1.8 Organization of the study
This study is composed of six chapters. Chapter one gives study introduction. It covers background to the study, research problem, aims and objectives and also significance of the study. Chapter two details literature review covering what other researchers have done in line with the study topic. Chapter three illustrates the research methodology adopted by this study in order to achieve its desired objectives. Chapter four presents data analysis and research findings. Chapter five makes use of the research findings to give discussions of the same. The researcher compares and contrasts the research findings to the literature review. Chapter six gives the research conclusions and recommendations.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter the literature review is presented on the study topic of learning in organizations. The chapter details what past scholars have studied and concluded as regards to organizational learning. The chapter has explained the following sections theoretical framework, empirical review and the conceptual framework.

2.2 Theoretical review

In answering what learning is, scholars have asked whether learning occurs when an individual gets new insights or whether it occurs when there is a shift in action or behavior (Easterby-Smith, Crossan & Nicolini, 2000). This has put learning as either a cognitive process or a behavioral process leading to some theoretical implications (Scott, 2011). Theories of learning have been developed from both cognitive perspective and behavioral perspective as explained below.

2.2.1 Behavioral theory

Behavioral theory gives overall principles that act as the guideline to understand how a human behavior is learned as well as maintained. This theory is relatively simple to understand because it relies only on observable behavior and describes several universal laws of behavior. Its positive and negative reinforcement techniques can be very effective—such as in treatments for human disorders including autism, anxiety disorders and antisocial behavior. Behaviorism is often used by teachers who reward or punish student behaviors, this can also be adopted during learning in SME’s where learning activities can be handled in this context. Post training assessments should be done and
effective learners rewarded accordingly. In behaviorism, there are four sub-theories contributing to learning behavior. These are Pavlov’s classical conditioning, Skinner’s operant conditioning, Wolpe’s reciprocal inhibition, and Eysenck’s incubation theory (Scott, 2011).

Pavlov’s classical conditioning theory was developed by Pavlov in 1927. Through this theory, learning is attributed to an association of stimulus and response. The theory emphasizes that learning occurs when a formerly neutral stimulus paired with an unconditioned stimulus becomes a conditioned stimulus that elicits a conditioned response (Wang & Ahmed, 2002).

Classical conditioning is a representative of reflexive behavior. The strength and frequency of the reflexive behavior is subject to reinforcer's frequency which is ahead of the behavior. Therefore, this theory only accounts for a small portion of human learning (Scott, 2011). The operational conditioning theory implies that the behavior of an individual is shaped as well as maintained by the consequences. This theory emphasizes that contingents works upon responses and then behavior operates on the environment and generates consequences. Therefore, consequences define properties in regard to responses which have been viewed as similar (Wang & Ahmed, 2002).

In this theory, it is the environment that plays a significant role in shaping and maintaining behavior. On the other hand behavior operates on environment to generate consequences, but it is controlled on the consequences. Proponents of this theory assert that it impacts a lot on human learning and behavior. This is because as the consequences
of the organizational behavior changes, the organizational environment changes impacting the behavior of employees (Easterby-Smith et al., 2000).

The reciprocal inhibition theory makes a contribution to both organizational learning and unlearning process. During extinction response, both elements of reactive and inhibition are involved. They describe an inhibitory state dissipating with time, and negative conditioning, which leads to a permanent decrease in response probability (Easterby-Smith et al., 2000). Through this theory, old habits are eliminated and new habits are allowed to develop in same situation. Within organizations, unlearning occurs when the organization is able to redefine old categories and thus develop new concepts as well as strategies (Wang & Ahmed, 2002).

According to incubation theory, a behavior that is followed by negative consequences which cannot be explained by the Operant Conditioning Theory is not eliminated. There many cases where extinction does not fail to occur. In addition, there is an incremental enhancement effect, so the unreinforced conditioned stimulus may produce increases in anxiety response with each presentation of the conditioned stimulus. According to this theory there are four elements in a learning process. These are: innate, preparedness, modeling, and classical conditioning (Easterby-Smith et al., 2000).

2.2.2 Experiential learning theory

This inventory was developed by David, A. Kolb as a self-assessment exercise and a means for construct validation of Experiential Learning Theory (ELT). Experiential learning theory has proved to be helpful in providing a mechanism for learning based innovations. It assists in improving instructional designs, curriculum development and
life-long learning. ELT theory influences the SME’s leadership and development in organizations as well as contributing to the organizational learning principles. Fundamentally, learning occurs when people grasp and transform an experience. As such ELT theory proposes a four-stage learning cycle; concrete experience and abstract conceptualization compromise the grasping component. Reflective observation and active experimentation comprises the transforming experience moment.

Through the four stages, learning is seen as a cycle whereby learner moves from experiencing, reflecting to acting according to the learning situation. According to Yeganeh and Kolb (2009), through concrete experiences, learner’s observation is sparked and then reflection is internalized and integrated into abstract concepts. Thought process is sparked enabling new behavioral experimentation. In each stage learning can occur, but the states should be sequentially followed.

From the Kolb's ELT model, Senge (1994) was influenced to develop cognitive theory of organizational learning. Through Cognitive Theory, learning is recognized by associating environmental cues as well as stimulus. Cognitive theory identifies mental models that influence our understanding of the world. When the cognitive cue that is associated with a choice taken leads to a certain reward, learning occurs. Through the impact made by this theory, programs have been designed to strengthen the relationship between cognitive cues such as supervisory, organizational and job procedures, and worker expectations such as incentive payment for good performance (Easterby-Smith et al., 2000). Employees in an organisation ought to be more productive through building
whether by taking orders or following directions and expectations of monetary reward for their efforts (Wang & Ahmed, 2002).

Social cognitive theory integrates both social and cognitive processes to understand motivation, emotions and action. A typical social cognitive model is stimulus - organism’s mediating cognitive processes - response. It recognizes that humans possess five basic cognitive capabilities: symbolizing capability - transforming experiences into symbols and process the symbols; forethought capability - anticipating consequences of their behavior; vicarious capability - observing other people’s behavior and consequences; self-regulatory - self-evaluating their behavior and self-consciousness-analyzing experiences and evaluating the adequacy of their thought processes (Wang & Ahmed, 2002). The main learning modes that the Social Cognitive Theory purports are observational learning - to learn from models, enactive learning - to learn from experiences, and self-efficacy - self perceptions of own performance. It emphasizes the interactive and reciprocal nature of cognitive, behavioral and environmental determinants(Easterby-Smith et al., 2000).

These theories enable segregation between adaptive and generative learning. Senge (1990) characterized adaptive learning as more focused to existing knowledge, amending it to suit the intended objective. Organizations that are seeking continuous improvement most likely use adaptive learning. Example is using adaptive learning to bridge gaps about firm's productivity, quality and costs to beat the competition for a certain period of time. However, the theory states that when firms need new strategies, resources or
products a new model of learning is needed. This includes random and discontinuous changes which are only possible in a generative learning (Harrison, 2000).

2.2.3 Assimilation theory

The assimilation theory of learning is a cognitive learning theory developed by David Ausubel in the early 1960s and widely applied to the area of meaningful verbal learning. It is based on Piaget’s genetic epistemology and focuses on the assimilation hypothesis, which assumes that new learning experiences are always integrated into preexisting knowledge structures. Accordingly, the assimilation theory of learning states that new information is subsumed or incorporated into an anchoring structure already present in the student. This will assist in knowledge management to ensure that the learning done by the SMEs is beneficial and is applied at the work place.

Assimilation theory is different from both ELT and behavioral theories. It characterizes learning as an observable, rational and quantifiable process. According to Nevis, DiBella and Gould (1995), learning has three stages; knowledge acquisition, consisting of the development or creation of skills, insights, and relationships; knowledge sharing, characterized by the dissemination of what has been learned; and knowledge utilization, comprised of the integration of learning to make it broadly available and generalized to new situations.

The three stages are further stressed into seven orientations of learning. The orientations define the mindset as well as methods through which learning occurs. They include; knowledge source: This aims to answer whether knowledge developed internally or acquired externally; product-process focus: this orientation enables the focus on what the
organization produces versus how it develops and delivers its products/services; documentation mode: individual possession of knowledge versus its public availability in order to enhance further learning; dissemination mode: sharing learning through formal, organization-wide methods versus informal methods; learning focus: incremental versus transformative learning; value-chain focus: investing in "design and make" functions versus "market and deliver" functions; skill development focus: development of individuals' versus teams’ skills.

Through the seven orientations, learning is assimilated in an organization. This kind of learning drives generation of new knowledge. It enables learning to be focused, to be continuous as well as to be transformative. This kind of learning facilitates development of new ideas, products and services that enable firms to improve on creation of competitive edge (Nevis et al., 1995).

2.3 Empirical review

2.3.1 Learning culture and organizational performance

A strong learning culture enables continuous learning in an organization. In a changing society, learning culture provides a strong ground for organizations to adapt to new technologies, products and information. The ability to create a culture of continuous learning enables employees to acquire relevant skills and become more flexible to respond to market changes(Abu-Jarad, Yusof & Nikbin, 2010).

Škerlavaj et al. (2007) defined learning culture as values, assumptions and norms that guide the learning processes of employees in an organization. Therefore, for an organization to acquire a learning culture it has to accept a set of attitudes, practices and
values that support continuous learning. Senge (2014) identified five disciplines that encompass a learning culture. These are; personal mastery, mental models, shared vision, team learning and system thinking.

In the definition by Schein (2010) on learning culture, three aspects are significant in enabling learning culture assessment. These include; beliefs and assumptions that support learning in an organisation, values and principles that drive learning in an organisation and enablers of learning and performance in an organisation. To do an assessment of learning culture in an organisation, a measuring tool has been developed by Garvin, Edmondson and Gino (2008). The tool assess supportive environment, learning processes and practices and leadership behavior in an organisation to provide sufficient reinforcement to enhance learning.

Debates have been developed between learning organizations and organizational learning. According to Örtenblad (2001), this debate revolves around the concept of whether organizational learning is sum of individuals learning within an organisation. According to Edmondson and Moingeon (1998), there exists a difference between learning organisation and organizational learning. In a learning organisation, learning is a continuous process as opposed to a single event process aimed at solving an extant problem.

According to Hitt (2013), learning organisation is one that has capabilities to transform itself. It is able to be creative, innovative and adaptive. These organizations are committed to have continuous learning and improvement within themselves and their employees. They promote a culture that is enabling both to employees and group learning within the
organisation. According to Baldwin (2016), learning organizations continuously test assumptions under which they operate in and also transform new knowledge which has been acquired into actions. However, literature has seen differences between organizational learning and learning organizations (Edmondson & Moingeon, 1998). Örtenblad (2015) put it that organizational learning is a processor set of activities while learning organization is an organization in itself. Organizational learning is like a seminar which is a onetime event whereas learning organization involves continuous processes to improve and identify company problems to be solved. Learning organization takes the results of organizational learning into application to continuously develop new processes, products and services. Learning organization creates a learning culture and encourages employees to learn, take risks as well as go beyond solving organizational problems (Ratna, Khanna, Jogishwar, Khattar & Agarwal, 2014).

According to Li and Liu (2014), as organizations increases their learning processes they experience four stages; information acquisition, information elaboration, acting and cognitive changes. However, according to Tsai (2015), while introducing learning as well as knowledge use in SMEs, three elements should be taken into consideration. These are individuals (owner-managers); internal routines; external networks. Gilmore, Carson and Grant (2001) emphasized that individual managers judgment is highly based on decision-making in SMEs. Therefore, knowledge that the owner of the SME has can hugely influence exploration and exploitation of the learning resources. This means that owner-managers have the capacity to influence both internal and external learning resources for SMEs. Additionally, factors that are internal to the SME such as internal relationships,
organizational culture, organizational trust and organizational atmosphere also influence learning approaches (Tsai, 2015).

Learning culture in organizations has been linked to organizational performance. It leads to increased customer satisfaction, higher revenues and profits. Additionally, learning culture attributes to cost cutting and rationalization measures in a firm. Learning culture enables a firm to create a sustainable competitive advantage in the long run. These is because learning culture enables an organization to have superior performances, better quality products, improved customer satisfaction, committed workforce and increased ability of staff to embrace change.

Learning culture is killed by having poor perception on learning itself. Understanding that an organization ought to just do its operations right limits learning processes. For small firms, Tsai (2015) argued that they may not be having sufficient resources to foster a learning culture. Under this circumstances then, learning in small firms can be quite problematic meaning staff training and development may not be done adequately thus inhibiting learning culture. Small firms are also unique in their characteristics. Mostly, SMEs are run by informal decision making which are normally made by the owner. Additionally, in most SMEs there is a close relationship between employees based on personal terms which impacts learning environment adversely (Wang & Ahmed, 2002). The study therefore sought to provide sufficient literature to breach this gap and provide the required information to embrace a positive learning culture in SME organizations for better performance.
2.3.2 Training activities and organizational performance

Training has been identified as a significant part of human resource management. Training is directly linked to improved performances of an organization (Yeganeh & Kolb, 2009). Through training, employees are able to create knowledge and information in their fields of operations to enable improved efficiency and performance. Baldwin (2016) defined training as the systematic development of employees’ skills, behavior and knowledge so that they are able to conduct their jobs effectively.

Training improves skills, abilities and exposure of the employees, (Fuller & Love 2006). In an organization where learning is valued, training is executed on the members of staff so that their existing skills are improved as well as knowledge. Increased potential of employees through training enables them to perform their jobs excellently as their potential capabilities are enhanced (Gavrea, Ilies & Egerean, 2011).

Through organizational learning, firms are able to keep pace with fast changing environments (Swanson & Holton, 2001). Through a good link between human resource development and organization strategy, organizational-level learning can be developed. In this view then, successful organizational learning is coherent with the design, strategy and structure of the organization as well as the human resource development practices and context. Under this arrangement then, not only do organizational learning impact individuals competencies but also variables in the firm's performance (Bapuji & Crossan, 2004). One of the ways to develop learning within organizations is through individual-performance and training-dominated activities. However, this has changed in modern days to see learning and knowledge creating taking center stage in companies in order to
enhance individual competencies as well as organization collaborations (Harrison & Kessels, 2003). This study sought to provide information to enhance this.

According to Örtenblad (2015), one of the best ways to build a learning organisation is through building continuous improvement programs within an organisation. This enables members of the staff to learn new aides and new ways to do things, increase knowledge that endeavor organizational learning. Baldwin (2016) asserted that learning organizations are skilled in the following five activities; systematic problem solving, experimentation with new approaches, learning from their own experience and past history, learning from the experiences and best practices of others, and transferring knowledge quickly and efficiently throughout the organization. In order to ensure successful learning, the five activities ought to be integrated through creation of systems and processes within a firm that support them.

Aspects of training used in organizations include professional training and on-job training. Professional training helps create broader aspects of knowledge in a firm. It enables learning that can easily be compared to peers in the industry (Tseng, 2010). On-job training creates internal learning culture in an organisation. Employees learn to improve their processes as they are directed by those with higher experiences (Garvin et al., 2008).

SMEs social interactions are viewed to play a crucial role in knowledge development in SMEs (Liao et al., 2008). When SMEs have better external networks, their learning opportunities are increased (Tsai, 2015). According to Li and Liu (2014), SMEs do not have strong financial muscles like large firms to rely on expensive research and
development knowledge for innovation. Therefore in order for SMEs to maintain competitive advantage in the market, they have to exploit human capital to boost learning processes. Casey (2005) asserted that human capital is a significant agent in developing organizational learning.

Through organizational learning, managers of a firm are able to increase capabilities of their employees. These leads to better understanding of their roles, work environment and form decisions that promote innovation, cutting edge technologies which are facets for improving organizational performance (Chiva et al., 2014). According to Easterby-Smith et al. (2000), 200 companies which invested efforts into the systematic approach to organizational learning profited in terms of an augmented level of employee trust in the leadership, improved efficiency of work organisation, a more committed workforce, decreased costs of work per employee, increased employee satisfaction and increased employee flexibility.

According to Sadler-Smith (2010), barriers of learning in SMEs can be attributed to the owner managers. Own managers were viewed to enjoy working alone or employing people whom they can control thus limiting leaning process within their firms. Additionally, employees are viewed to be unwilling to take learning responsibilities mostly due to managers not encouraging it. Tsai (2015) observed that, when managers have inadequate managerial skills and lack of interpersonal skills by the employees, leaning is inhibited. Effective learning is done where both the management and employees exhibit effective communication skills. Firms in some cases find themselves engulfed into operational pressures leading to poor learning environment.
Tharenou, Saks and Moore (2007) argued that training makes organizations to be more effective. Aguinis and Kraiger (2009) asserted that when employees are trained, their own performance is increased. This leads to improving organizational profitability, productivity, effectiveness as well as increasing quality of services. Training and development when strategically positioned leads to achievement of business goals. According to Tharenou et al. (2007), there are ten measures of training in a firm. These are; increased retention, increased sales, increased operational efficiency, company-defined score cards, cost of training, customer service results, revenue generation, return on investment, instructor performance and end-user satisfaction.

2.3.3 Innovation and organizational performance

Innovation is viewed as a form of learning in organizations (Ries & Trout, 1981). Rogers (2003) viewed innovation as an enabler to a firm to enable it respond to market changes. Dimensions of innovation include creativity, openness to change, risk-taking, pro-activeness and future orientation (Birdthistle & Fleming, 2005).

Organizational learning creates knowledge base that enhances innovations in an organization. In order to innovate continuously, organizational learning is a necessity (Rogers, 2003). Ability to innovate continuously leads a firm to respond to market changes and compete favorably. Organizational learning enables generation of new ideas, products and services that contribute to innovations ahead of competitors (Garvin et al., 2008).

Globalization has brought changes in economies, technology as well as diverse workforce environment which have put organizations to learning mode in order to develop
competitive advantages (Abu-Jarad et al., 2010). According to Birdthistle and Fleming (2005), learning is a key driver in shaping innovative processes in an organization that determines its successful performance. Crossan and Berdrow (2003) argued that organizational learning produces knowledge-based resources that are capable to make organization resilient in dynamically changing and fiercely competitive enterprises.

The study will seek to provide adequate information that will enable SME’s to create an atmosphere of innovation in organizations. They will be able to measure and rate innovations scale using technological and administrative innovation construct. Technological innovations will measure new products, services and processes and administrative innovation and encompass structure of the organization, programs and administrative processes. The study findings will help organizations realize their full innovative potential and thus increase their overall performance.

2.3.4 Knowledge management (KM) and organizational performance

According to Darroch (2005), knowledge management refers to processes in an organization that enhances management of knowledge. Knowledge management is viewed as the foundation of organizational learning. KM enables improvement of knowledge-related assets and also being employed effectively. This enables a firm to improve efficiency and thus lead to better performance in terms of revenue generation and profitability (King, 2009).

Processes of KM include; knowledge acquisition, knowledge creation, knowledge refinement, storage, transfer, sharing and utilization. Learning organizations enhance KM (Darroch, 2005). KM on the other hand enables a firm to leverage and improve its
assets of knowledge leading to improvement of organizational practices and behaviors, better decision making as well as organizational performance (King, 2009).

In order for organizations to develop a fully into learning organizations, they need able and competent people who can not only learn but also interpret information as well as technological changes from the external environment (Birdthistle & Fleming, 2005; Casey, 2005). Additionally, the organization members need to acquire new information and process it into new knowledge faster than competitors. This makes organizational learning to produce strategic renewal within the organization (Crossan & Berdrow, 2003). It therefore means that organizational learning generates organizational knowledge which is an asset which can be leveraged to generate firm's innovation performance (Thuy Pham & Swierczek, 2006). This according to Pérez, Manuel, & José (2005) generates competitive edge for the firm as operational efficiency increases.

The research study sought to provide adequate information which is currently not available to enable the SME’s tap fully into the preservation of the acquired information and disseminate it adequately to realize its full benefits in terms of better organizational performance. This is because most of the acquired knowledge is never put to full use but goes to waste despite having been acquired costly.

2.4 Summary of literature and research gaps

The theoretical framework had detailed three theories of organizational learning. These are behavioral theory, experiential learning theory and the assimilation theory. Behavioral theory explains the human behavior and how it is inclined into learning. Components of the behavioral learning such as classical conditions reflect learning as an association of
stimulus and responses. The operational conditioning theory implies that the behavior of
an individual is shaped as well as maintained by the consequences. Through reciprocal
inhibition model, people are able to learn and unlearn. Incubation theory of behavioral
approach gives out four elements in a learning process. These are: innate, preparedness,
modeling, and classical conditioning.

Experiential learning theory presents learning as a cycle with four stages; concrete
experience and abstract conceptualization compromise the grasping component.
Reflective observation and active experimentation comprises the transforming experience
moment. Through these stages, human cognitive aspects are triggered to allow both
adaptive learning and generative learning. Assimilation theory on the other hand presents
learning as a three stage process, knowledge acquisition, consisting of the development or
creation of skills, insights, and relationships; knowledge sharing, characterized by the
dissemination of what has been learned; and knowledge utilization, comprised of the
integration of learning to make it broadly available and generalized to new situations.

In the empirical review, the relationship between organizational learning and
performance of the firms has been expounded further. It has been shown that
organizational learning enables organizations to keep pace with dynamics of their
operating environment. Through aspects such as training, enabling learning culture as
well as innovative oriented firms, organizational learning becomes a continuous process.
A lot of literature has linked organizational learning to increasing firm’s efficiency, sales
and revenues as well as profitability.
However, the empirical review supports the study gap in this research that small and medium enterprises have not been studied in light of organizational learning effects to performance by previous researches. The literature available does not comprehensively provide adequate information on the relationship between learning and performance. Therefore this study bridges this gap by establishing the effects of organizational learning on performance of technology small and medium enterprises (SMEs) in Nairobi, Kenya

2.5 Conceptual Framework

Learning culture enables a firm to transform it. Learning organizations thus promote a culture that is enabling both to employees and group learning within the organisation. Learning culture creates knowledge in an organization which is associated with increased organizational performances and increased competitiveness.

Organizational learning leads to organizational innovative capabilities. The firm acquires capabilities and knowledge's to develop new products and services thus improve its performances in satisfying customers with new products. This leads to increased sales which boosts its revenues. Therefore, organizational learning is linked to financial performance of an organization. Training activities in a firm enhances the organizational learning. Training enables employees to acquire new knowledge and apply it to improve operational efficiency.

Therefore in this study to investigate organizational learning and performance of Technology Small and Medium Enterprises (SMEs) in Kenya, dependent variable is performance of the small and medium technology enterprises. Independent variables are
learning culture, organizational training, organizational innovations and knowledge management.

The dependent variable is affected by the independent variables as illustrated in the Figure 2.1.

![Figure 2.1 Conceptual framework](image)

Source: Researcher (2017)
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The main aim of this chapter is to illustrate the research methodologies that will be adopted to complete the research study. The research methods adopted in this study are appropriate to achieve the research objectives. The chapter starts by describing research philosophy followed by research approach and research design. Additionally, the chapter discusses the data sources and data collection methods, data analysis as well as the research ethics.

3.2 Research design

Zikmund (2013) explained that a survey design is the overall strategy adopted by the researcher in order to satisfy study objectives. Though research design, research components such as research objectives, research questions and data collections are made more coherent and logically integrated to give study sufficient results. Research design covers data collection, measurement, analysis and presentation of data. Research designs include comparative design, case studies, longitudinal design, experimental design and cross-sectional/survey design (Wilson, 2014).

This study employed a descriptive research design. This is because, descriptive research design enabled the researcher to analyze the relationships between variables of interest in this study. The objective of this study was to illustrate the relationship between organizational learning and performance of the SMEs. As such, the descriptive research design has been found to be the most appropriate.
A survey design was used to collect the relevant data. The survey design was implemented using a questionnaire as the main research instrument. Additionally, document analysis was done to supplement data collected using questionnaires. Data triangulation was done so that there was balance between the quantitative and qualitative data collection. This enabled the researcher to ensure reliability as well as the validity of the data which was used to answer research objectives in this study.

### 3.3 Study population

Population is the entire group of individuals or items under consideration in a field of inquiry that has a common attribute (Mugenda&Mugenda, 2003). The population of this study was all employees of Hewlett and Placard (HP) Enterprises Africa Ltd and Infotech Africa Ltd. According to HP Enterprises HR Department (2017), HP had a total of 878 employees in Kenya. On the other hand, Infotech Africa Ltd had 533 employees in Kenya (Infotech HR Department, 2017). In total, HP Enterprises and Infotech had a total of 1,411 employees. This number was the study population for this study.

<table>
<thead>
<tr>
<th>Company</th>
<th>Study population</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hewlett and Placard (HP) Africa Ltd</td>
<td>878</td>
<td>62%</td>
</tr>
<tr>
<td>Infotech Africa Ltd</td>
<td>533</td>
<td>38%</td>
</tr>
<tr>
<td>Total</td>
<td>1411</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Researcher (2017)
3.4 Target Population

A target population is the entire group of individuals or objects from which the study seeks to generalize its findings (Cooper & Schindler, 2005). The target population for this study was Technical and Management permanent employees of HP Enterprises Limited and Infotech Africa Ltd working at the headquarter offices located at Capitol Hill Square building and Upper Hill and at Westlands respectively. The researcher targeted this cadre of employees because they were entitled to all company benefits including training and development. In addition, the researcher targeted office employees only because they were easily accessible from one location as opposed to field employees. According to the HP Enterprises HR Department (2017), there were 210 permanent employees based at their offices at Upper Hill and according to InfotechAfrica Ltd HR Department (2017), there were 123 permanent employees at Infotech Headquarters in Westlands. In total, there are 333 permanent employees in HP and Infotech Offices. This number formed the target population for this study as shown in Table 3.1.

<table>
<thead>
<tr>
<th>Company</th>
<th>Target population</th>
<th>Target population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hewlett and Placard</td>
<td>210</td>
<td>63%</td>
</tr>
<tr>
<td>(HP)Africa Ltd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infotech Africa Ltd</td>
<td>123</td>
<td>37%</td>
</tr>
<tr>
<td>Total</td>
<td>333</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Researcher (2017)

3.5 Sample size and technique

The sample size is an important feature of any empirical study in which the goal is to make inferences about a population (Saunders, Lewis, & Thornhill, 2009). It is simply a small section that represents the entire population. According to Gay and Diehl (1992),
generally the number of respondents acceptable for a study depends upon the type of research involved - descriptive, correlational or experimental. For descriptive research the sample should be 10% of the target population (Mugenda&Mugenda 2003). But if the target population is small (not more than 500), then 20 to 30% may be required (Gay & Diehl, 1992; Neuman, 1997). Since this is descriptive research and the target population is 333 permanent employees, which is less than 500, the researcher used 20% of the target population as proposed by (Mugenda&Mugenda2003). It therefore implies that the sample size of the study was 67 respondents drawn from HP Enterprises and Infotech Africa Ltd in Nairobi.

<table>
<thead>
<tr>
<th>Company</th>
<th>Target population</th>
<th>Sample Size (20% of the target population)</th>
<th>Sample size (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hewlett and Placard (HP)Africa Ltd</td>
<td>210</td>
<td>42</td>
<td>63%</td>
</tr>
<tr>
<td>Infortech Africa Ltd</td>
<td>123</td>
<td>25</td>
<td>37%</td>
</tr>
<tr>
<td>Total</td>
<td>333</td>
<td>67</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Researcher (2017)

The researcher applied simple random sampling in selecting the respondents for this study. Using simple random sampling implies that all permanent employees at HP and Infotech offices had an equal chance of being selected to participate in this study.

3.6 Data collection instruments

The primary data for this study was collected using the questionnaires due to the ease of using them; appropriateness and accuracy. The questionnaires were composed of closed-ended and open-ended questions and also included statements measured on a five (5) points Likert scale, where 1 represented strongly disagree and 5 referred to strongly agree.
and according to Saunders et al. (2007), this allowed for intensity and richness of individual perceptions in responses.

3.7 Pretesting

The research instrument (questionnaire) were pretested to ascertain and detect any ambiguities. According Mugenda and Mugenda (2003), 10% of the sample is adequate for pretesting. Based on this, a total of 7 questionnaires were administered for pretesting. Respondents for pretesting were drawn from Hewlett and Placard and Infotech companies in Nairobi. After pretesting, the results were analyzed to correct errors in the questionnaire.

3.8 Validity and reliability of the instruments

3.8.1 Validity of the instruments

The validity of a data collection instrument refers to the degree that the instrument measures that which it is intended to measure (Kothari, 2004). The researcher will incorporate all the variables that need to be collected so as to establish the independent variables in the research. In addition, the researcher will engage the supervisor and other lecturers to make the necessary improvements to the instrument so as to enhance its validity.

3.8.2 Reliability of the instruments

Reliability refers to a measure of the degree to which research instruments yield consistent results (Mugenda & Mugenda, 2003). The outcomes of the pretesting was compiled, responses coded, and then entered into Statistical Package of Social Sciences (SPSS) version 23.0 for Cronbach's Alpha test analysis. Cronbach's alpha coefficients (α) were used to measure and
determine the average internal consistent (reliability) of items in the questionnaire that were on multiple likert scale. The higher the (α) coefficient the more reliable is the construct. As a rule of the thumb, the acceptable range of Cronbach alpha coefficient is between 0.70 and 0.90 or higher depending on the type of research(Rosen et al., 2000). Cronbach's alpha coefficients (α) of 0.70 or more is acceptable for exploratory or descriptive research while 0.80 and 0.90 are acceptable for basic research and applied sciences respectively. Therefore, the researcher conducted Cronbach alpha test using questionnaires obtained from the pretesting exercise. The findings were as shown in Table 3.3.

<table>
<thead>
<tr>
<th>Category of multiple likert scale items</th>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning culture</td>
<td>.880</td>
<td>.881</td>
<td>6</td>
</tr>
<tr>
<td>Training activities</td>
<td>.713</td>
<td>.787</td>
<td>4</td>
</tr>
<tr>
<td>Innovations</td>
<td>.807</td>
<td>.858</td>
<td>3</td>
</tr>
<tr>
<td>Knowledge management</td>
<td>.757</td>
<td>.768</td>
<td>5</td>
</tr>
<tr>
<td>Organizational Learning</td>
<td>.697</td>
<td>.704</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Survey data (2018).

From Table 3.3, Cronbach’s alpha coefficients for all variables with multiple likert scale items was approximately 0.7 or more, which indicates that the level of internal consistency for the items that were used in each variable was acceptable hence the items were reliable to measure the variables. This implies that the questionnaire that was used in this study was reliable hence the findings were accurate and relevant.

3.9 Data collection procedure

The data collection procedure was initiated by the researcher having been given permission from Kenyatta University through and introduction letter. The researcher also
acquired the authorization from the National Commission for Science Technology and Innovation. A meeting with the management of the technology SMEs selected for the study was also convened and researcher explained to them about the research and the intended objectives. During this preliminary contact with the firms, survey participants were selected. This enabled the researcher to schedule suitable dates as well as times for data collection. The questionnaire was printed and made available to the study participants. In order to allow high percentage of return, study participants were given 15 days for them to answer and return the questionnaires. The questionnaires was attached with an introduction letter from the University and a cover letter which was personalized to the extent possible; stressing why the study is important and why the particular respondent should fill in the questionnaire.

3.10 Data analysis and presentation
Quantitative data, which was collected using closed-ended questions in the questionnaires, was chronologically arranged with respect to the questionnaire outline to ensure that the correct code was entered for the correct variable. Data cleaning was then done, tabulated and analyzed using SPSS 23.0. Both descriptive and inferential statistics were carried out.

For qualitative data, which was mainly gathered from the open-ended questions, a qualitative data checklist was developed. The checklist was clustered along main themes of the research to ease consolidation of information and interpretation. The themes were then coded, entered into SPSS, and then analyzed through content analysis.
The researcher also used inferential statistics techniques in order to allow this study to use the population sample to make generalizations about the entire population from which the sample will be drawn. The study applied regression analysis to test the relationship between independent variable (organizational learning) and dependent variables (performance). The regression equation that will be used to measure the relationship is as shown below:

\[ Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \varepsilon \]

Where: Y is the dependent variable as a result of independent variables

- \( \beta_0 \) is a constant
- \( \beta_1 \) to \( \beta_4 \) are the coefficient of the independent variables
- \( x_1 \) to \( x_4 \) are the independent variables where
- \( \varepsilon \) is the error term.

In addition, the researcher used the ANOVA Model analysis of variance and coefficient of determination to determine the predictive power of the influence of independent variables on the dependent variable. The significance value was obtained in the regression model and was used to measure whether relationship between the independent variables and the dependent variable is statistically significant.

Both quantitative and qualitative analyzed data was presented in form of frequency distribution tables, graphs and charts to aid in successful interpretation of the findings. Descriptive data was provided in form of explanatory notes.

3.11 Ethical Considerations

Throughout the course of this research, the University’s ethical guidelines were adhered to. Participants were granted anonymity and any data obtained was treated in accordance
with the data protection regulations. Participants were made aware of the aim of the study prior to taking part and they had the opportunity to opt out should they wished to. The researcher did not force respondents into taking part in the survey; rather their opinions were highly respected.
CHAPTER FOUR: RESEARCH FINDINGS ND DISCUSSIONS

4.1 Introduction

This chapter deals with data presentation of the research findings that were obtained during the data collection exercise with the sampled population which included technical and management permanent employees of HP Enterprises Ltd and Infotech Africa Ltd working at the headquarter offices located at Capitol Hill Square building in Upper Hill and at Westlands respectively. First, the chapter provides the response rate of the respondents. Secondly, the chapter presents the demographic profile of the respondents that was relevant to this study. Finally, the chapter presents the study findings on each objective of the study which includes the effect of learning culture on performance of SMEs, the effect of training activities on performance of SMEs, the effects of knowledge management on performance of SMEs, and the effect of innovation on performance of SMEs in Nairobi, Kenya. Both descriptive and inferential data analysis was carried out and findings are presented in form of tables, charts and graphs.

4.2 Reliability Results

As per the sample size, the researcher distributed a total of 67 questionnaires to technical and management permanent employees of HP Enterprises Ltd and Infotech Africa Ltd working at the headquarter offices located at Capitol Hill Square building in Upper Hill and at Westlands respectively. However, out of the 67 questionnaires that were distributed, only 60 were duly filled and received back. This means that the response rate for this category of respondents was 90% as shown in Table 4.1. According to Mugenda and Mugenda (2003), a response rate of 70% and above is excellent for data analysis and drawing conclusions of a descriptive study. Therefore, this study’s response rate of
90%(60) was excellent hence satisfactory enough for analysis and drawing conclusions. It is also representative of the target population hence the findings could be generalized.

Table 4.1: Response rate

<table>
<thead>
<tr>
<th>Company</th>
<th>Target sample size</th>
<th>Actual respondents</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>HP Enterprises Ltd</td>
<td>42</td>
<td>39</td>
<td>93%</td>
</tr>
<tr>
<td>Infotech Africa Ltd</td>
<td>25</td>
<td>21</td>
<td>84%</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>60</td>
<td>90%</td>
</tr>
</tbody>
</table>

Source: Survey data (2018)

4.3.0 Demographics of the respondents

The researcher sought some demographic information of the respondents in order to understand what could influence the findings of the study. With regard to demographic information of the respondents, this research was interested in the respondents’ gender, age, and the position help by the respondents or department they worked with.

4.3.1 Gender

Gender was the first demographic profile that the researcher sought to know. Study findings were as shown in Figure 4.1.

Figure 4.1: Gender of the respondents. Source: Survey data (2018)
From the findings shown in Figure 4.1, most of the respondents at 62% were male compared to 38% female. The findings show that both genders were represented in this study hence the outcome of this research was not gender biased. In addition, the findings imply that majority of technical and management permanent employees of HP Enterprises Ltd and Infotech Africa Ltd are male.

4.3.2 Age bracket,

Respondents were asked to indicate their age bracket and findings were as shown in Figure 4.2.

![Figure 4.2: Age bracket of the respondents](image)

*Source: Survey data (2018)*

Findings in Figure 4.2 show that 57% of the respondents were between 31-57 years, 35% were between 18-30, while 8% were above 50 years. The findings show that all age groups were represented in this study. The findings in this research further conclude that that both the youth and the adult are well involved in operating SMEs in the information technology industry.
4.3.3 Department

The study targeted permanent employees in the technical and management of HP Enterprises Ltd and Infotech Africa Ltd. These categories of respondents were deemed to have adequate experience in organizational learning and its effect on performance of SMEs in the IT industry. Therefore respondents were asked to indicate the department they were working for in their respective companies. Findings were as shown in Table 4.2.

<table>
<thead>
<tr>
<th>Department/Position</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Marketing</td>
<td>27</td>
<td>45.0</td>
</tr>
<tr>
<td>Technical</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td>Management and Administration</td>
<td>7</td>
<td>11.6</td>
</tr>
<tr>
<td>Human Resource</td>
<td>6</td>
<td>10.0</td>
</tr>
<tr>
<td>Quality Assurance</td>
<td>4</td>
<td>6.7</td>
</tr>
<tr>
<td>Coordination</td>
<td>3</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data (2018)

Findings in Table 4.2 show that most of the respondents at 45% were working in the sales and marketing department, 21.7% were in the technical department, 11.6% were in the management and administration department, 10% were in the human resource department, 6.7% were in quality assurance department, while 5% were working in the coordination department. (61.7%) work in the customer care department, while 13.3% who work in human resource department. All these departments constituted the technical and management sections of the companies hence the respondents had adequate information on the effect of organizational learning on performance of SMEs in the IT industry.
4.4 Descriptive findings

4.4.1 Learning culture and performance of SMEs in IT Industry in Kenya

The first objective of this study was to determine the effect of learning culture on performance of SMEs in Nairobi, Kenya. In order to achieve this objective, the researcher listed six statements that generally describe the effect of learning culture on performance of SMEs in IT. Then the respondents were asked to indicate the extent to which they agreed or disagreed to the statements using a Likert scale of 1 – 5 whereby 1 represented ‘strongly disagree’ and 5 represented ‘strongly agree’. The findings were computed as shown in Table 4.3.

Table 4. 3: Effect of learning culture on performance of SMEs in IT

<table>
<thead>
<tr>
<th>Effect of learning culture on performance of SMEs in IT</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company leaders communicate importance of learning (acquiring new knowledge, skills and capabilities).</td>
<td>60</td>
<td>4.3167</td>
<td>.83345</td>
</tr>
<tr>
<td>Managers in our firm are held accountable for learning as well as its implementation to improve performance of the firm.</td>
<td>60</td>
<td>3.5833</td>
<td>1.04625</td>
</tr>
<tr>
<td>Managers monitor learning progress</td>
<td>60</td>
<td>3.6167</td>
<td>1.05913</td>
</tr>
<tr>
<td>Managers provide feedback and structure opportunities to apply learning on the job</td>
<td>60</td>
<td>3.5137</td>
<td>1.18560</td>
</tr>
<tr>
<td>Managers in our company coach other members of the staff</td>
<td>60</td>
<td>3.9000</td>
<td>.95136</td>
</tr>
<tr>
<td>Managers partner with direct reports to develop their capacity to increase organizational performance</td>
<td>60</td>
<td>3.6833</td>
<td>1.20016</td>
</tr>
</tbody>
</table>

Source: Survey data (2018)

From the findings in Table 4.3, permanent employees in the technical and management of HP Enterprises Ltd and Infotech Africa Ltd generally agreed (3.5 ≤ mean > 4.5) that learning culture has effect on performance of SMEs in IT industry within Nairobi, Kenya. In particular, the permanent employees in the technical and management of of HP Enterprises Ltd and Infotech Africa Ltd agreed (mean score of 4.3167) that there was communication by company leaders on the importance of learning which include...
acquiring new knowledge, skills and capabilities. The technical and management of employees of HP Enterprises Ltd and Infotech Africa Ltd also agreed (mean score of 3.5833) that their managers in their respective companies were held accountable for learning as well as its implementation to improve performance of the company. Also, they agreed (mean score of 3.6167) that in their companies, it was the managers who monitored the learning process and its implementation.

Further findings indicate that the technical and management of employees of HP Enterprises Ltd and Infotech Africa Ltd agreed (mean score of 3.5137) that the managers of their respective companies provided feedback and structure opportunities to apply learning on the job. In addition, the employees agreed that the managers in their respective companies coach other members of the staff (mean score of 3.9000) and they partner with direct reports to develop their capacity to increase organizational performance (mean score of 3.6833).

In order to establish the importance of learning culture on performance of SMEs in the IT industry, technical and management of employees of HP Enterprises Ltd and Infotech Africa Ltd were asked to indicate whether learning culture was part of the conversion during employment. From the findings were as shown in Figure 4.4.
From the findings shown in Figure 4.3 above, most (70%) of the technical and management of employees of HP Enterprises Ltd and Infotech Africa Ltd agreed that learning culture was part of the conversation during employment while a few (30%) denied. Based on the majority, we can assert that learning culture is very important on performance of SMEs in the IT industry.

Further, the respondents were asked whether their respective companies convey learning as a value of the organization. Most (60%) responded to the affirmative while the rest (40%) responded to the contrary as shown in Figure 4.4.
The findings in Figure 4.4 imply that learning plays a key role in enhancing performance of SMEs in the IT industry. Therefore there is need for all SMEs in the IT industry to embrace organization learning which in turn improves organizational performance.

On whether learning was aligned with the strategic goals of the firm, the majority (73%) of the technical and management of employees of HP Enterprises Ltd and Infotech Africa Ltd agreed while a few (27%) responded to the contrary as shown in Figure 4.5.
Findings in Figure show that most SMEs in Information Technology (IT) sector in Nairobi, Kenya have taken into consideration the importance of organizational learning hence the reason why they have aligned it to their strategic goals. Based on this, we can conclude that organization learning has positively contributed to the performance of SMEs in the IT sector in Nairobi.

The researcher further sought to establish whether the link between organizational learning and the performance of the firm made clear to the employees. From the findings shown in Figure 4.6, most of the respondents (65%) indicated that the link between organizational learning and the performance of the firm was made clear to them while 35% said it has not been made clear to them.
The findings in Figure 4.6 show that most firms are ensuring that their employees are aware of the link between learning and the performance of the firm. This would be simply because organizational learning is critical in improving performance of firms especially in the information technology sector.

Last but not least on the learning culture, the researcher sought to know whether learning was applied throughout the organization to continuously improve performance and achieve strategic goals. Findings were as shown in Figure 4.7.
From the findings in Figure 4.7 above, 73% of the respondents agreed that learning was applied throughout the organization to continuously improve performance and achieve strategic goals while 27% denied. With the majority accepting, the findings assert that organizational learning plays a major role in ensuring that their continuous improvement on performance of an organization hence helping in achieving the strategic or corporate objectives and goals.

Study findings have demonstrated that learning culture influences organizational performance. Abu-Jarad, Yusof and Nikbin (2010) support the findings by asserting that a strong learning culture enables continuous learning in an organization. The authors further noted that in a changing society, learning culture provides a strong ground for organizations to adapt to new technologies, products and information. This clearly shows that organization should adopt a culture that enables employees to acquire necessary skills and knowledge thus becoming flexible to market changes. For an organization to
acquire a learning culture it has to accept a set of attitudes, practices and values that support continuous learning especially for employees (Škerlavaj et al., 2007). This is because learning culture comprises of values, assumptions and norms that guide the learning processes of employees in an organization (Škerlavaj et al., 2007).

In line with this study’s findings on the influence of learning culture on organizational performance, Schein (2010) found that learning culture has three aspects: beliefs and assumptions that support learning in an organisation, values and principles that drive learning in an organization, and enablers of learning and performance in an organisation. The study findings revealed that HP Enterprises Ltd and Infotech Africa Ltd supported learning of employees through trainings, had values and principles that promoted the learning culture, and the companies performed due effective organizational culture.

Hitt (2013) noted that organizations that are committed to learning culture have capabilities to transform themselves. They are always creative, innovative, and adaptive to changes in the market. In addition, such organizations have continuous learning and improvement within themselves and their employees. Further, Li and Liu (2014) found that as organizations increases their learning processes, they experience four stages, that is, information acquisition, information elaboration, acting and cognitive changes. All these stages clearly show how learning culture plays a major role in enhancing organizational performance.

Therefore based on this study’s findings and relevant literature review, it is probable to conclude that learning culture in organizations is very influential when it comes to organizational performance. It enhances organizational performance in many ways
including, but not limited to increased customer satisfaction, increased market share, employee retention, and higher revenues and profits. Additionally, organizations can experience cost cutting and enhance rationalization by strengthening learning culture which in turn improve organizational performance. Also, learning culture enables a firm to create a sustainable competitive advantage in the long run. These is because learning culture enables an organization to have superior performances, better quality products, improved customer satisfaction, committed workforce and increased ability of staff to embrace change.

4.4.2 Training activities and performance of SMES in IT Industry in Kenya

The second objective of this research was to assess the effect of training activities on performance of SMEs in IT industry within Nairobi, Kenya. To achieve this objective, the researcher first set four statements with regard to the effect of training activities on performance of SMEs in IT industry and asked respondents to indicate the extent to which they agreed or disagreed to the statement. Study findings were as shown in Table 4.4.

Table 4. 4: Effect of training activities on performance of SMEs in IT industry in Nairobi

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>In our organization we organize internal training of our employees.</td>
<td>60</td>
<td>4.2833</td>
<td>.76117</td>
</tr>
<tr>
<td>We frequently send our employees to various seminars, workshops, conferences with intention to acquire information.</td>
<td>60</td>
<td>3.4000</td>
<td>1.16735</td>
</tr>
<tr>
<td>Through training, employee retention is increased</td>
<td>60</td>
<td>3.9167</td>
<td>1.13931</td>
</tr>
<tr>
<td>Our firm appreciates formal, informal, on-job and off-job training programs</td>
<td>60</td>
<td>4.1667</td>
<td>1.04422</td>
</tr>
</tbody>
</table>

Source: Survey data (2018)
Findings shown in Table 4.4 show that majority of the technical and management employees of HP Enterprises Ltd and Infotech Africa Ltd in Nairobi agreed (Mean score of 4.2833) that in their respective organizations organize internal training of their employees. They also agreed that through training, employee retention had increased (Mean score of 3.9167) and that their firms appreciated formal, informal, on-job and off-job training programs (Mean score of 4.1667). However, the employees were generally not sure whether their organizations send employees to various seminars, workshops; conferences with intention to acquire information (Mean score of 3.4000). These findings have asserted that various training activities in an organization promote organizational learning which greatly influence the performance of SMES in the IT industry in Nairobi, Kenya.

In support of the study findings on the effect of training activities on organizational (SMEs) performance, Yeganeh and Kolb (2009) found that training activities in a firm are directly linked to improved performances of the firm since they are a significant part of human resource management. Yeganeh and Kolb (2009) noted that through training activities in an organization, employees become innovative in their fields of operations thus improved efficiency and performance.

According to Fuller and Love (2006), internal trainings of employees improve skills, abilities and exposure of the employees. This implies therefore that training activities among SMEs in the technology industry will improve employees, skills, abilities and exposure to modern technology thus making them more creative and innovative. As a result, their performance improves leading to overall organizational performance. As noted by Gavrea, Illies and Egerean (2011), in organization where learning is valued,
training is executed on the members of staff so that their existing skills are improved as well as knowledge. Increased potential of employees through training enables them to perform their jobs excellently as their potential capabilities are enhanced (Gavrea, Ilies & Egerean, 2011).

According to Örtenblad (2015), one of the best ways to enhance organizational performance through building continuous training programs within the organisation. This enables employees to learn new aides and new ways to do thingsthus increased knowledge that endeavor organizational learning. Tharenou, Saks and Moore (2007) argued that training makes organizations to be more effective. Aguinis and Kraiger (2009) asserted that when employees are trained, their own performance is increased. This leads to improving organizational profitability, productivity, effectiveness as well as increasing quality of services. Training and development when strategically positioned leads to achievement of business goals.

4.4.3 Innovation and performance of SMEs in IT industry in Kenya

The researcher sought to examine the effect of innovation activities on performance of SMEs in IT industry in Nairobi, Kenya. To start with, three statements were designed with regard to the effect of innovation on performance of SMEs in IT industry. Respondents were asked to indicate the extent to which they agreed or disagreed to each of the three statements. Findings were as shown in Table 4.5.
Table 4. 5: Effect of innovation on performance of SMEs in IT industry in Nairobi

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous learning enables the firm to introduce new products and services into the market ahead of competition</td>
<td>60</td>
<td>4.0667</td>
<td>1.20545</td>
</tr>
<tr>
<td>Through learning, our products quality is high than that of the competitors</td>
<td>60</td>
<td>3.3167</td>
<td>1.14228</td>
</tr>
<tr>
<td>We continuously modify design of our products and rapidly enter new emerging markets</td>
<td>60</td>
<td>4.4167</td>
<td>1.02992</td>
</tr>
</tbody>
</table>

Source: Survey data (2018)

From the findings in Table 4.5, technical and management employees of HP Enterprises Ltd and Infotech Africa Ltd in Nairobi agreed that continuous learning enabled their respective firms to introduce new products and services into the market ahead of competition (Mean score of 4.0667). The employees also agreed that their firms continuously modified design of their products and rapidly entered new emerging markets (Mean score 4.4167). However, the employees were uncertain that through learning, their products’ quality was high than that of their competitors (Mean score 3.3167). These findings have revealed that there are various innovations carried out by SMEs in the IT industry in Nairobi which enhance organizational learning. As a result, the innovations greatly influence the performance of SMES in the IT industry in Nairobi, Kenya.

Secondly, the researcher sought to establish some of the managerial innovations that HP Enterprises Ltd and Infotech Africa Ltd had emphasized through organizational learning. Findings are as shown in Figure 4.8.
According to the findings shown in Figure 4.8, HP Enterprises Ltd and Infotech Africa Ltd had emphasized on various managerial innovations. Major emphasis was on project teams’ innovations at 103%, followed by computer-based administrative innovations at 61.7%, then new employee reward/training schemes at 30%, and new departments’ innovations at 25%. These findings have shown that SMEs in the IT sector in Nairobi have invested in various innovations which have enhanced organizational learning that has greatly influenced the organizations’ performance.

From the study’s findings, innovation is one of the key elements that influence performance of SMEs in the technology industry. Dimensions of innovation include creativity, openness to change, risk-taking, pro-activeness and future orientation (Birdthistle & Fleming, 2005). Due to changes in technology in recent days, organizations have been forced to diversify their workforce environment to accommodate and adopt new innovations. This, according to Abu-Jarad et al. (2010), has brought
changes in economies which have put organizations to learning mode in order to develop competitive advantages. But according to Birdthistle and Fleming (2005), effective innovations are achieved by enhancing internal trainings and shaping innovative processes in an organization. Therefore SMEs in the technology industry should embrace organizational trainings and learning process which produces knowledge-based resources that are capable to make SMEs in the technology industry resilient in dynamically changing and fiercely competitive enterprises as noted by Crossan and Berdrow (2003).

4.4.4 Knowledge management and performance of SMEs in IT industry in Kenya

Based on literature review, knowledge management positively contributes to organizational learning especially among employees. The researcher therefore sought to know how knowledge management influenced performance of SMEs in the IT industry in Nairobi, Kenya. Five statements with regard to the influence of knowledge management on performance of SMEs in the IT industry were designed. The technical and management employees of HP Enterprises Ltd and Infotech Africa Ltd in Kenya were asked to indicate the extent to which they agreed or disagreed to the statements. Study findings were as shown in Table 4.6.

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees in our organization are an important source of information</td>
<td>60</td>
<td>4.1167</td>
<td>1.18023</td>
</tr>
<tr>
<td>Managers help by using direct reports to create individualized learning plan</td>
<td>60</td>
<td>3.7167</td>
<td>1.02662</td>
</tr>
<tr>
<td>Learning plans are linked to strategic goals of organization</td>
<td>60</td>
<td>3.5167</td>
<td>1.01667</td>
</tr>
<tr>
<td>Knowledge management and information systems enable efficient exchange of information within the firm</td>
<td>60</td>
<td>4.0667</td>
<td>1.07146</td>
</tr>
<tr>
<td>The firm has people dedicated to collecting and</td>
<td>60</td>
<td>3.9833</td>
<td>1.12734</td>
</tr>
</tbody>
</table>
From the findings in Table 4.6, technical and management employees of HP Enterprises Ltd and Infotech Africa Ltd in Kenya generally agreed (3.5≤mean>4.5) that; employees in their respective organization were important source of information, managers were helped by using direct reports to create individualized learning plan, learning plans were linked to strategic goals of organization, knowledge management and information systems enabled efficient exchange of information within their respective firm, and that their respective firm had people dedicated to collecting and disseminating information to improve employees learning. These findings have demonstrated that knowledge management has influence on organizational learning which improves performance of SMEs in the IT industry in Nairobi, Kenya.

In line with this study’s findings Darroch (2005) noted that knowledge management in an organization is the foundation of organizational learning which positively contributes to organizational performance. This implies that an organization cannot achieve organizational learning without effective knowledge management. According to King (2009), knowledge management enables improvement of knowledge-related assets and also being employed effectively. This enables a firm to improve efficiency and thus lead to better performance in terms of revenue generation and profitability. Therefore, knowledge management plays a key role in enhancing performance of SMEs in the technology industry by improving knowledge-related assets.

According to Darroch (2005), knowledge management has various processes which include knowledge acquisition, knowledge creation, knowledge refinement, storage,
transfer, sharing and utilization. Therefore SMEs in the technology industry that embrace knowledge management are capable of leveraging and improving their assets of knowledge leading to improvement of organizational practices and behaviors, better decision making as well as organizational performance. In order for organizations to develop a fully into learning organizations, they need able and competent people who can not only learn but also interpret information as well as technological changes from the external environment (Birdthistle & Fleming, 2005; Casey, 2005).

4.5.0 Inferential Statistics Analysis

In order to use the findings of this study to make generalizations about the entire population of SMEs in the IT industry in Nairobi Kenya, the researcher used inferential statistics techniques to establish the relationship between organizational learning and performance of SMEs in IT industry. The inferential statistics also provided the strength and signification of the relationship between the two variables (organizational learning and performance of SMEs in IT industry). The inferential statistics that was conducted include regression analysis which provided the Summary Model, Analysis of Variance, and correlation coefficient of determination to determine the predictive power of the influence of organizational learning on performance of SMEs in the IT industry in Nairobi, Kenya.

4.5.1 Regression analysis

Bivariate and multivariate linear regression analyses were carried out to determine the relationship between each of the four independent variables (learning culture, training activities, innovation, and knowledge management) and independent variable (performance of SMEs in the IT industry in Nairobi, Kenya). Analysis of Variance
(ANOVA) was conducted to establish whether the whole model was significant fit of the data. The regression coefficients were used in the determination of the relationship between the dependent variable and the independent variables.

4.5.2 Model Summary
The table below shows the Model Summary of the regression Analysis that was conducted.

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>R Adjusted</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.690a</td>
<td>.476</td>
<td>.246</td>
<td>.83496</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant): Learning culture, training activities, innovation, and knowledge management

Source: Survey data (2018)

The findings in 4.8 indicate that the four independent variables (learning culture, training activities, innovation, and knowledge management) that the study concentrated on influence performance of SMEs in the IT industry in Nairobi up to only 47.6% as represented by the R Square ($R^2$). This implies that there are other major factors that were not factored in this study that contribute up to 52.4% of the influence on performance of SMEs in the IT industry in Nairobi, Kenya. This calls for a further researcher to be conducted to establish the other factors that contribute up to 52.4% of the influence on performance of SMEs in the IT industry in Nairobi, Kenya.

4.6 ANOVA results
The summary of the ANOVA statistics was obtained from the mean of independent variables (learning culture, training activities, innovation, and knowledge management) that influenced performance of SMEs in the IT industry in Nairobi, Kenya as shown in Table 4.9. The significance value obtained in the ANOVA model was used to indicate
whether the relationship between the independent variables and the dependent variable was statistically significant.

**Table 4.8: ANOVA of the Regression**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>26.000</td>
<td>18</td>
<td>1.444</td>
<td>2.072</td>
<td>.027b</td>
</tr>
<tr>
<td>Residual</td>
<td>28.584</td>
<td>41</td>
<td>.697</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>54.583</td>
<td>59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent variable: Performance of SMEs in the IT industry in Nairobi, Kenya  
b. Predictors: (Constant): Learning culture, training activities, innovation, and knowledge management

Source: Survey data (2018)

Table 4.9 provides the results on the analysis of the variance (ANOVA). The results in the table indicate that the model was statistically significant. This is because the significance value (p value) for the relationship between organizational learning and SMEs performance in the IT industry in Nairobi Kenya was 0.027 which was less than the conventional probability of 0.05 significance level. Additionally, the results signify that the independent variables (learning culture, training activities, innovation, and knowledge management) were good predictors of performance of SMEs in the IT industry in Nairobi, Kenya. This was supported by an F statistic of 2.072 which shows that the overall model was significant. Regressions of coefficient results were as presented in Table 4.10.

**4.7 Regression of Coefficients**

Regression of coefficients determines the relationship between independent and dependent variables. The results were as presented table 4.10.
Table 4. 9: Regression coefficients of organizational learning and performance of SMEs in the IT industry

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t statistics</th>
<th>Sig. Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.058</td>
<td>2.087</td>
<td></td>
<td>2.423</td>
</tr>
<tr>
<td>2 Learning culture</td>
<td>0.466</td>
<td>.160</td>
<td>.382</td>
<td>2.913</td>
</tr>
<tr>
<td>3 Training activities</td>
<td>0.202</td>
<td>.174</td>
<td>.166</td>
<td>1.164</td>
</tr>
<tr>
<td>4 Innovations</td>
<td>0.214</td>
<td>.141</td>
<td>.202</td>
<td>1.512</td>
</tr>
<tr>
<td>5 Knowledge management</td>
<td>0.397</td>
<td>.145</td>
<td>.334</td>
<td>2.731</td>
</tr>
</tbody>
</table>

a. Dependent variable: Performance of SMEs in the IT industry in Nairobi, Kenya

Source: Survey data (2018)

As per the SPSS generated table above, regression equation

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \]

Where: \( Y \) is the performance of SMEs in the IT industry as result organizational learning

- \( B_0 \) is a constant
- \( \beta_1 \) to \( \beta_4 \) are the regression coefficient of the independent variables
- \( X_1 \) to \( X_4 \) are the independent variables and
- \( \varepsilon \) is the error term.

Therefore,

\[ Y = 5.943 + 0.466X_1 + 0.202X_2 + 0.214X_3 + 0.397X_4 \]

From the established equation, it implies that if all the four organization learning practices (learning culture, training activities, innovation, and knowledge management) are taken into consideration and then kept constant at zero, performance of SMEs in the IT industry will be effective at 5.058. Generally, these findings have shown that organizational learning practices have influence on performance of SMEs in the IT industry in Kenya. According to (Hernaus et al. 2008), organizational learning is a
promising concept in management of enterprises. In fact, as per the dynamics capabilities theory, enhancing organizational learning practices is the main source of competitive advantage. Hernaus et al. (2008) further noted that the dynamic capabilities enhanced by organizational learning practices lead the organization to innovate new products, services and processes which enhance performance of the firm. This shows how organizational learning practices are very important thus when effectively adopted and implemented, they greatly improve performance of enterprises including SMEs.

Further findings from Table 4.10 indicate that when all other learning practices are held constant at zero, an increase of a unit of learning culture increases performance of the SMEs in the IT industry by 46.6% (0.466). This finding imply that learning culture influences organizational performances of SMEs to greatest extent when compared to other learning practices such as training activities, innovations, and knowledge management. Makkonen et al. (2014) noted that organizational learning culture is considered a significant component in an organization’s adaptation towards higher performance. Therefore learning culture is one of the new approaches organizations develop in order to sustain their own existence and enhance performance in the current dynamically changing and turbulent environment. These assertions clearly explain why learning culture greatly influences performance of organizations thus the need to be adopted and implemented by SMEs in the IT industry.

The findings from Table 4.10 also indicate that a unit increase of training activities will increase performance of the SMEs in the IT industry by 20.2% (0.202). This implies that training activities in an organization influences performance of SMEs to little extent compared to other organization learning practices. However, Garvin, Edmondson
Gino (2008) asserted that an organization’s adaptive capacity to changing environment is determined through the success of training programs in an organization. The adaptive capacity of an organization in return is determined by the prior knowledge the enterprise has and regular training programs undertaken by the organization. What organizations have in mind therefore is that, trainings and creation of knowledge should be a continuous activity for employees and also shared to other groups proliferating learning organization wide (Marsick & Watkins, 2003). These findings therefore explain why training activities in an organization influences performance organizes thus SMEs in the IT industry should adopt and effectively implement training programs that empower their employees.

Also, the findings in Table 4.10 have shown that a unit increase of innovations will increase performance of the SMEs in the IT industry by 21.4% (0.214). This finding imply that innovations in an organization influence organization performance to a little extent compared to other learning practices such as learning culture and knowledge management. According to Rogers (2003), innovations enable organizations it respond to market changes. Birdthistle and Fleming (2005) identified dimensions of innovation which include creativity, openness to change, risk-taking, pro-activeness and future orientation. These help organizations to adjust to changes in the market thus expanding market share, maintain their returns, and even improve overall performance. In addition, Garvin et al. (2008) found that organizations that continuously embrace innovations have the ability to generate new ideas, products and services that respond to market changes and compete favorably ahead of competitors. Thus SMEs in the IT industry should
embrace continuous innovations in order to effectively respond to changes in the market and meet current customers’ needs.

Last but not least, the findings in Table 4.10 show that a unit increase of knowledge management will increase performance of the SMEs in the IT industry by 39.7% (0.397). This implies that knowledge management comes second in influencing performance of the SMEs after organizational learning culture. Hernaus et al. (2008) support this finding by asserting that an organization that is able to deal with changing environment, not only processes information efficiently, but it also creates information and effectively manages knowledge of its staff and experts. In addition, Dermol and Tomaž (2013) argued that performance of the organizations is affected by organizational knowledge management. Through knowledge management, employees’ skills are improved. They are able to be highly innovative and improve services, products as well as processes of an organisation. Knowledge management also equips the company with advances in information technology and aligns its procedures (Hernaus et al., 2008). Therefore SMEs in the IT industry should be encouraged to adopt and implement knowledge management practices in order to enhance employee performance which in turn improves organizational performance.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a detailed summary of the study’s key findings based on the study’s objectives, the conclusions of the study, the recommendations of the study, and the areas for further research.

5.2 Summary of key findings

5.2.1 Effect of learning culture on performance of SMEs in IT Industry in Nairobi

Permanent employees in the technical and management of HP Enterprises Ltd and Infotech Africa Ltd generally agreed that: there was communication by company leaders on the importance of learning which include acquiring new knowledge, skills and capabilities, managers in the organizations are held accountable for learning as well as its implementation to improve performance of an organization, managers monitor the learning process and its implementation. Also, the employees generally agreed that the managers of their respective companies provided feedback and structure opportunities to apply learning, coach other members of the staff, and they partner with direct reports to develop their capacity to increase organizational performance.

The study also established that learning culture was part of the conversion during employment by SMEs in the IT industry in Nairobi Kenya. Further, the employees agreed that SMEs in the IT industry in Nairobi convey organizational learning as a value of the organization. Consequently, the majority of the technical and management of employees of SMEs in the IT industry in Nairobi agreed that learning is aligned with the strategic goals of the organization or company. Further findings indicated that most of the
employees indicated that the link between organizational learning and the performance of the SMEs in IT industry was made clear to them. Last but not least, the majority of the employees of SMEs in the IT industry in Nairobi agreed that learning was applied throughout the organization to continuously improve performance and achieve strategic goals. Further findings indicated that when all other organizational learning practices are held constant at zero, a unit increase of learning culture increases performance of the SMEs in the IT industry by a significant percentage.

5.2.2 Effect of training activities on performance of SMES in IT Industry in Nairobi

Majority of the technical and management employees of HP Enterprises Ltd and Infotech Africa Ltd in Nairobi agreed that in their respective organizations organize internal training of their employees and that their firms appreciated formal, informal, on-job and off-job training programs. However, the employees were not sure whether their organizations send employees to various seminars, workshops; conferences with intention to acquire information. Further findings indicated that when all other organizational learning practices are held constant at zero, a unit increase of training activities increases performance of the SMEs in the IT industry by a considerable percentage.

5.2.3 Effect of innovation on performance of SMEs in IT industry in Nairobi

According to the study findings, technical and management employees of HP Enterprises Ltd and Infotech Africa Ltd in Nairobi agreed that continuous learning enabled their respective firms to introduce new products and services into the market ahead of competition and that their firms continuously modified design of their products and rapidly entered new emerging markets. However, the employees were not sure that
through learning, their products’ quality was high than that of their competitors. In addition, the study established that there are various managerial innovations which SMEs in the IT industry had emphasized through organizational learning. The major emphasis was on project teams’ innovations, followed by computer-based administrative innovations, then new employee reward/training schemes, and new departments’ innovations. From the inferential statistics, the study revealed that when all other organizational learning practices are held constant at zero, a unit increase of innovations increases performance of the SMEs in the IT industry to some extent.

5.2.4 Effect of knowledge management on performance of SMEs in IT industry in Nairobi

Study findings revealed that technical and management employees of HP Enterprises Ltd and Infotech Africa Ltd in Kenya generally agreed that: employees in their respective organization were important source of information, managers were helped by using direct reports to create individualized learning plan, learning plans were linked to strategic goals of organization, knowledge management and information systems enabled efficient exchange of information within their respective firm, and that their respective firm had people dedicated to collecting and disseminating information to improve employees learning. Regression analysis revealed that when all other organizational learning practices are held constant at zero, a unit increase of knowledge management increases performance of the SMEs in the IT industry by a sizeable percentage.

5.3 Conclusions

There are various factors that determine and influence the performance of SMEs in the IT industry especially in developing countries like Kenya. However, one wonders whether
SMEs owners in the IT industry consider every factor that influences their performance in the current competitive environment. Due to their nature of being micro and small, there is need to take extra caution on the influence of every factor that affects their performance. In most cases, SMEs owners had ignored some factors that influence performance of SMEs thus compromising their performance, hence subjecting them to the risk of closing down. Little research has been done on the effect of organizational learning on the performance of SMEs in the IT industry especially in Kenya. This study aimed at examining how organizational learning influenced performance of SMEs in IT industry in Kenya using a case study of Nairobi. Nairobi was used as a case study it is a leader of SMEs involved in the IT industry in Kenya.

From the study findings, it is clear that there is a significant positive relationship between organizational learning (learning culture, training activities, innovations, and knowledge management)) and performance of SMEs in IT industry in Nairobi, Kenya. There are various ways in which organizational learning influence performance of SMEs in the IT industry in Kenya. They include ensuring effective learning culture among employees, conducting internal trainings among employees through workshops and seminars; embracing innovations through continuous learning that ensure introduction of new products and services into the market ahead of competition and continuous modification of the design of products and rapidly entering new emerging markets. In addition, employees of SMEs’ in the IT industry in Kenya are the sources of information on improving performance of the SMEs. Therefore this study concludes that organizational learning is very influential in ensuring effective performance of SMEs in the IT industry in Kenya.
5.4 Recommendations of the Study

From the findings of this study, organizational learning contributes significantly to the performance of SMES in the IT industry. This study, therefore, recommends that the government in collaboration with other authorities should adequately support SMEs in the IT industry by prioritizing activities and formulation of effective policies and programs that embrace organizational learning in small and medium enterprises.

Firms in the IT industry in Kenya should embrace organizational learning through developing an organizational plan that embraces learning as a core value of the firm. The organizational plan should ensure that learning is part of the conversion during employment, learning is a value of the organization, and learning is aligned with the strategic goals of the firm.

Firms in the IT industry should ensure that the link between organizational learning and the performance of the firm are made clear to the employees. In addition, it should be applied throughout the firm as this helps in ensuring continuous improvement in the performance of the firms.

5.5 Areas for further research

Study findings from regression analysis revealed that organizational learning partially influence on performance of SMEs in the IT industry in Kenya. This implies that performance of SMEs in the IT industry in Kenya depends on other factors apart from organizational learning. Therefore, this study recommends a further research to establish the effect of the other factors apart from organizational learning on performance of SMEs in IT industry in Kenya.
REFERENCES


Rogers, A. (2003). *What is the difference?: a new critique of adult learning and teaching.* Leicester: NIACE.


APPENDICES

Appendix I: Research Questionnaire

**Research Topic:** Organizational Learning and Performance of Small and Medium Enterprises (SMEs) in Information Technology (IT) sector in Nairobi, Kenya

**Introduction**

Dear Sir/Madam,

My name is Patrick Mbakaya, a Student at Kenyatta University pursuing a Masters’ Degree in Business Administration (Human Resource Management). I am currently undertaking a Research Project that focuses on the above topic. Therefore this questionnaire seeks information on your personal background and the issues you are experiencing as a result of organizational learning adopted by your employer. I kindly request you to take a few minutes to fill out this questionnaire. Please be as honest and truthful as possible. Be assured that your responses will be treated confidentially and will be used purely for academic purpose. If you have any questions about this Research Project or want to know about the results, please feel free to contact me on 0720863272 or email to party82_07@yahoo.com or contact my supervisor Dr Jedidah Muli at the Department of Human Resource Management of Kenyatta University.

**Instructions**

In some questions, choices are provided so please check ☑ the appropriate box. Where choices are not provided, answer using your own words in the most appropriate and comprehensive way. Kindly complete all sections of the questionnaire.

**Section A: General Information**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 - 30 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31-50 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 - Above</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section B: Learning Culture and performance of SME’s in IT industry
Please circle one choice for each of the following statements
(1 = strongly disagree, 2 = disagree, 3 = nor disagree nor agree, 4 = agree, 5 = strongly agree)

<table>
<thead>
<tr>
<th>No.</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The company leaders communicate importance of learning (acquiring new knowledge, skills and capabilities).</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Managers in our firm are held accountable for learning as well as its implementation to improve performance of the firm.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Managers monitor learning progress</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Managers provide feedback and structure opportunities to apply learning on the job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Managers in our company coach other members of the staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Managers partner with direct reports to develop their capacity to increase organizational performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. During recruitment of new employees, is learning part of the conversation?
   Yes [ ]   No [ ]

8. Does the firm convey learning as a value of the organization?
   Yes [ ]   No [ ]

9. Is learning aligned with the strategic goals of the firm?
   Yes [ ]   No [ ]

10. Is the link between learning and the performance of the firm made clear to the employees?
    Yes [ ]   No [ ]

11. Is learning applied throughout the organization to continuously improve performance and achieve strategic goals?
    Yes [ ]   No [ ]
Section C: Training activities and performance of SME’s in IT industry
Please circle one choice for each of the following statements
(1 = strongly disagree, 2 = disagree, 3 = nor disagree nor agree, 4 = agree, 5 = strongly agree)

<table>
<thead>
<tr>
<th>No.</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>In our organization we organize internal training of our employees.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>We frequently send our employees to various seminars, workshops, conferences with intention to acquire information.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Through training, employee retention is increased</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Our firm appreciates formal, informal, on-job and off-job training programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section D: Innovation and performance of SME’s in IT industry
Please circle one choice for each of the following statements
(1 = strongly disagree, 2 = disagree, 3 = nor disagree nor agree, 4 = agree, 5 = strongly agree)

<table>
<thead>
<tr>
<th>No.</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Continuous learning enables the firm to introduce new products and services into the market ahead of competition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Through learning, our products quality is high than that of the competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>We continuously modify design of our products and rapidly enter new emerging markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

19). Which of the following managerial innovations does the firm emphasize through organizational learning;
   a). computer-based administrative innovations [    ]
   b). new employee reward/training schemes [     ]
   c). new departments [    ]
   d). project teams [    ]
Section E: Knowledge Management and performance of SME’s in IT industry
Please circle one choice for each of the following statements
(1 = strongly disagree, 2 = disagree, 3 = nor disagree nor agree, 4 = agree, 5 = strongly agree)

<table>
<thead>
<tr>
<th>No.</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Employees in our organization are an important source of information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Managers help using direct reports to create individualized learning plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Learning plans are linked to strategic goals of organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Knowledge management and information systems enable efficient exchange of information within the firm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>The firm has people dedicated to collecting and disseminating information to improve employees learning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your cooperation